

**TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
FEBRUARY 28, 2025 Page 1**

CONVENE: 12:02 p.m.

PRESENT: Chair/Mayor Debbie Sullivan and Councilmembers Eileen Swarthout and Peter Agabi.

Excused: Councilmember Michael Althausen.

Staff: City Administrator Lisa Parks, Assistant City Administrator Kelly Adams, City Attorney Karen Kirkpatrick, Finance Director Troy Niemeyer, Fire Chief Brian Hurley, and Deputy Finance Director Shelly Carter.

**APPROVAL OF
MINUTES:
BUDGET &
FINANCE
COMMITTEE,
AUGUST 21, 2024 &
JANUARY 24, 2025:**

MOTION: Councilmember Agabi moved, seconded by Chair Sullivan, to approve the minutes of August 21, 2024 and January 24, 2025 as presented. A voice vote approved the motion unanimously.

**YEAR-TO-DATE
BUDGET UPDATE:** Director Niemeyer provided an update on the status of the budget.

The budget document includes all revenues and expenses for the entire City represented in 2,000 line items. The City's financial system does not support a biennial budget, with the budget reflected in the system as two, one-year budgets.

Revenue for year-to-date 2025 for property tax is approximately \$10 million+; however, year-to-date reflects \$38,000 in property tax revenue essentially because property taxes are due in April and November 2025 with some received earlier dependent upon how property owners pay their respective taxes. The funds are received by the City when Thurston County collects the taxes. Property tax revenue is a stable source of funds and more predictable than other forms of revenue. To normalize reporting of property tax, the budget reflects the total amount of anticipated property tax divided by 12 with each month reflecting some revenue from property tax. Essentially, at the end of February, the forecasted amount is 16.7% of the total amount. Actual year-to-date property tax is 16.28%.

A similar exercise was completed for sales tax revenue, which is less predictable than property tax. Lag times exist in the collection of sales tax. The City received some sales tax for January 2025, typically one of the lowest months for sales tax collections because of less spending following

TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
FEBRUARY 28, 2025 Page 2

the holiday season. Staff prorated sales tax reporting, as the City has not received February sales tax from Thurston County.

Councilmember Agabi asked whether the forecast of sales tax revenue of approximately \$11 million is factored on historical trends. Director Niemeyer said the figure represents the projected budget for sales tax revenue for 2025. Councilmember Agabi asked about the actual amounts of sales tax revenue in 2024 or 2023. Director Niemeyer affirmed staff could provide the figures for context after the meeting. Councilmember Agabi asked about the possibility of collecting less than the forecast and potential impacts to the City. Director Niemeyer explained that when projections are estimated for sales tax and other revenue sources, staff reviews historical data and past and current trends. The information is used to inform the next biennium budget. Additionally, expectations on a strong economy, a recession, or a flat economy are all assumptions factored in the forecast for revenue sources. Staff monitors sales tax activity because it is a major source of revenue to the City. Sales tax can be volatile and the City may not meet its sales tax projection. If monitoring reveals a decrease in sales tax, the City can make any necessary adjustments to the budget.

City Administrator Parks added that the Finance Department developed a complicated and extensive projection spreadsheet that includes a series of factors that could affect revenue forecasts. The spreadsheet factors previous years of data and statewide and national economic trends. Should the City experience a shortfall, staff reduces expenses. Adoption of the budget provides staff with the authority to purchase; however, staff also monitors revenue especially during this time of uncertainty regarding the economy.

Director Niemeyer added that the President's current political agenda, if approved for certain elements, is inflationary in nature. The imposition of tariffs will create inflation. Deporting workers in construction, trades, and hospitality will cause inflation.

Councilmember Swarthout agreed with the sense of nervousness as the City has committed to hiring staff and she was looking forward to a positive year. She is concerned today as to how the City will be able to move forward and achieve the goals established by the Council.

Chair Sullivan noted that the purpose of the budget update is to enable the committee to track the status of the budget on an ongoing basis rather than as needed.

Councilmember Agabi pointed out that the state is considering a reduction in FTEs. He asked about any back-up plan of a FTE reduction in the event the economy begins to suffer.

TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
FEBRUARY 28, 2025 Page 3

City Administrator Parks replied that the state's budget is much different than the City's budget in terms of personnel needs. The City is experiencing a lack of capacity to perform the work required of the City and to meet community expectations. Of the positions added in the last budget, funding sources have been identified to assist in funding the positions in addition to general fund revenue. Of the 33 new positions, approximately seven of the positions are funded from the general fund. Additionally, vacancies exist within the number of approved FTEs through attrition and retirements. Salary savings in 2024 because of unfilled positions totaled \$2.5 million. Staff will strive to reduce costs through other avenues rather than pursuing savings through the reduction of FTEs.

Director Niemeyer reported the general fund is on track with the budget forecast. However, some situations outside the control of the City often occur. One example is the issuance of a building permit in late 2024 for the Secretary of State of approximately \$1 million in revenue. Since then, the Secretary of State withdrew its permit with the City issuing a refund of 80% of that amount. Within the Community Development Department under building permits, the budget-to-date reflects a negative amount of \$759,000 in revenue, which skews the budget and does not reflect that actual building permit revenue remains on track. Staff plans to adjust the 2024 budget to accrue the refund to ensure the refund is offset in the same year as it was credited. Other revenue sources are on track with expenditures in the general fund reflecting a lower amount (salary savings due to timing of February payroll).

Director Niemeyer reviewed proprietary funds of Utilities and Golf Course funds to date. The Water Fund reflects 1.78% of revenue and expenditures of 1.73% to date. However, the budget forecast includes \$25 million in capital costs for the Maintenance and Operations Facility and the Water Storage Tank project, which have not moved forward. Both revenue and expenses for those projects are not reflected in the year-to-date figures. A similar scenario exists for the Sewer Fund. The Golf Course fund reflects revenues and expenses below the forecast because of the seasonal nature of golf with January and February revenue collection less than other months.

**Employment
Agreements:**

City Administrator Parks advised that the issue of employment agreements was raised with the advent of creating the new Information Technology Director position and because of different employment agreements executed over many years for director positions. The City created 10 director positions of which seven have employment agreements and three directors have no agreement. The new IT Director also does not have an employment agreement. During a review with City Attorney Kirkpatrick, all existing employment agreements were reviewed for the development of a template agreement. The proposal is for approval of the template and authority to the Mayor to execute the employment agreement as new

TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
FEBRUARY 28, 2025 Page 4

directors are hired over time, as well as reviewing existing employment agreements and replacing the agreements with the new template agreement for consistency of all director positions.

Several substantive changes include the sections on the term of the agreement. Most existing agreements include language that establishes a three-year term with a provision that the agreement can continue beyond the end date. The issue is the inclusion of an end date if the provisions of the agreement can lapse beyond the end date. The proposal is consistent with public sector employment expectations that the employment is at will and that the agreement is for an indefinite term subject to different separation or termination provisions in the agreement.

The second substantive change is within the section on separation and termination. The proposal removes when and how termination or separation would occur. Different situations and scenarios would be included. The agreement would include provisions for disabled employees unable to perform duties or when an employee elects to leave employment. The agreement enables the City to terminate an employee for cause. Provisions within the agreement define “cause.” The agreement also addresses the ability to terminate an employment relationship with an employee for other reasons, such as the City no longer wishing to fill the position. In those cases, the employee would receive a severance package. The timeline for a severance package varies from two, four, or six months. The proposal is to standardize the severance package for a period of six months. Severance packages, agreements, and provisions are typical in an employment contract. All existing employment contracts include severance provisions. The proposal provides the employee with a measure of a safety net if the decision is made to terminate the employee for other reasons other than for cause.

City Administrator Parks added that the agreement was standardized to the extent possible for all director positions.

If the committee approves moving the proposal to the City Council, staff requests placing the proposal on the March 18, 2025 City Council meeting agenda rather than the March 4, 2025 City Council meeting as requested in the staff report to afford time to brief the Council on the proposal.

Councilmember Agabi asked whether an employee who is advised of a pending termination would be provided an opportunity to correct the problem(s) leading to the termination. City Administrator Parks advised that any decision would be at the option of the Mayor or the City Administrator.

Chair Sullivan said there is a difference between cause and performance

**TUMWATER BUDGET & FINANCE COMMITTEE
MINUTES OF VIRTUAL MEETING
FEBRUARY 28, 2025 Page 5**

issues. The agreement protects directors from unlawful discharge. An example is the City of Pacific in which the newly elected Mayor began discharging directors and locking employees from City Hall. The agreement provides some level of protection from a similar situation.

Councilmember Swarthout agreed with placing the proposal under Council Considerations for transparency and providing an opportunity for the Council to provide input.

City Administrator Parks described the Mayor's authority to hire and fire for director positions; however, the Council's authority is associated with the employment contract. Three positions require the Council's confirmation (City Administrator, City Attorney, and Finance Director). Those three positions must be confirmed by the City Council. The proposal is only for the employment agreement similar to other existing contractual situations whereby the Council approved the template and delegated the authority to implement actions.

MOTION: Councilmember Agabi moved, seconded by Councilmember Swarthout, to place the Department Director Employment Agreement Template on the March 18 2025 City Council Consideration Calendar with a recommendation to approve and authorize the Mayor to sign employment agreements with current and future directors in substantially similar form consistent with adopted City policies as approved by the City Attorney. A voice vote approved the motion unanimously.

ADDITIONAL ITEMS: There were no additional items.

ADJOURNMENT: With there being no further business, Chair Sullivan adjourned the meeting at 12:50 p.m.

Prepared by Valerie L. Gow, Recording Secretary/President
Puget Sound Meeting Services, psmsoly@earthlink.net